

12/18/78 [2]

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Harold Brown to Pres. Carter, w/attachments 3 pp., re: Defense summaries	12/15/78	A
Memo	<i>opened per RAL NLR-126-15-24-1-8, 6/27/13</i> Kraft to Pres. Carter, 1 pg., re: Peace Corps	12/18/78	C

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File, 12/18/78 [2] Box 112

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THE WHITE HOUSE
WASHINGTON

December 14, 1978
(5:45 p.m.)

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
SUBJECT: HEW Budget Appeal Meeting

Because we still do not have the OMB memorandum on the HEW appeal, we will not be able to provide you with a memorandum of our views on what issues may be outstanding.

As soon as we receive the OMB memorandum, we will provide you with such a memorandum of our views but it will likely come only after the budget appeal meeting.

11:50 AM

THE WHITE HOUSE

WASHINGTON

December 13, 1978

GREETING OF MARCH OF DIMES POSTER CHILD AND SIGNING
OF MARCH OF DIMES BIRTH DEFECTS PREVENTION MONTH STATEMENT
Monday, December 18, 1978
11:50 a.m.
The Oval Office

FROM: ANNE WEXLER *Ann*

I. PURPOSE

To designate January 1979 as March of Dimes Birth Defects Prevention Month.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: Every year the President has signed a statement designating January as March of Dimes Birth Defects Prevention Month and has met with the March of Dimes Poster Child. Last year you signed such a statement and it was presented to the March of Dimes Poster Child by Vice President Mondale (over the protestations of the group that they had always met with the President). You did, prior to your Inauguration, meet with the 1977 March of Dimes National Poster Child; in addition to Harry Green and Charles Massey, Chairman of the Board and President of the National Foundation-March of Dimes, respectively, who are coming today.

Melanie Brockington, March of Dimes Poster Child, was born with spina bifida (open spine). Although she is paralyzed from the waist down she walks well with the aid of leg braces and crutches. She is 8 years old and in the third grade in Lancaster, Texas, a suburb of Dallas.

B. Participants: Melanie Brockington, the March of Dimes Poster Child; her parents, Tom and Ann Brockington; Harry Green, Chairman of the Board of Trustees of The National Foundation-March of Dimes; and Charles Massey, President of The National Foundation-March of Dimes.

C. Press Plan: Brief photo session.

III. AGENDA OF MEETING, MATTERS WHICH MAY BE MENTIONED TO PARTICIPANTS

- A. Agenda of Meeting: You will sign a statement designating January of 1979 as March of Dimes Birth Defects Prevention Month. The pen can be given to Melanie, the 1979 National Poster Child. Reading the statement would take approximately two and a half minutes, so that I would advise against it.
- B. Matters Which May be Mentioned to Participants:
- (1) The signing of this statement marks the 40th anniversary of the founding of the March of Dimes. Franklin D. Roosevelt founded the National Foundation for Infantile Paralysis, as it was then called, in 1938. To him the wide participation of Americans in the March of Dimes campaigns was a symbol of a healthy democracy in action.
 - (2) You welcome the opportunity to salute the valuable work of the March of Dimes in the prevention of birth defects through the promotion of adequate services of the pregnant woman and her fetus, intensive care for the sick newborn and genetic counselling for couples considering parenthood.



November 13, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: 60 Minutes' Story on 10 Percent Minority
Business Enterprise (MBE) Effort

Accomplishments Associated with MBE Program

Several weeks ago, I sent you a copy of the Department of Commerce's Interim Report on implementation of the 10 percent Minority Business Enterprise requirement of the \$4 billion Round II Local Public Works (LPW II) Program. That requirement, which was introduced into the Round II LPW legislation by Congressman Parren Mitchell, stipulated that 10 percent of each grant made under the LPW program be expended with Minority Business Enterprises (MBEs). The legislation defined such firms as "... a business at least 50 per centum of which is owned by minority group members or, in the case of a publicly owned business, at least 51 per centum of the stock of which is owned by minority group members."

Implementation of this unprecedented requirement by the Department's Economic Development Administration (EDA) was complicated by other legislative mandates, which stipulated that program regulations and procedures be prescribed within 30 days of enactment; decisions on each LPW II project application be made within 60 days of submission; and initiation of on-site labor begin within 90 days of project approval. In addition, the legislation included several other demanding requirements, such as the mandate that preferential hiring treatment on LPW II projects be given to qualified disabled veterans and qualified Vietnam-era veterans, and the stipulation that, except under unusual circumstances, all materials used on the LPW II projects be produced, mined or manufactured in the United States.

As documented in our Interim Report, it is clear that the 10 percent MBE requirement will be met, despite the significant constraints associated with its implementation. We estimate that when all the data are in and EDA's monitoring activities are completed, participation in the LPW II program by bona fide minority firms will reach at least \$560 million or 14 percent of the LPW II funds. In addition, we expect that

approximately 8,000 minority businesses will receive more than 16,000 construction and supply contracts in conjunction with the 8,554 LPW II projects. This will be accomplished even in the face of the legislatively imposed constraints and the internal constraints associated with monitoring a requirement of this complexity with limited staff and travel funds. I am sure you can understand that we are extremely pleased with the accomplishments that have resulted from this unique undertaking.

As you can imagine, given the more than 8,500 LPW II projects involved, the more than 16,000 individual MBE contracts, the tight time constraints imposed by the legislation, and the ground-breaking nature of the MBE effort, some problems have been experienced. Some firms initially identified by LPW II grant recipients as minority businesses have, upon examination, proven to be fronts for majority-owned enterprises. Contracts with these firms have not been given credit as MBE expenditures. Similarly, some firms have functioned only as agents or relatively passive conduits in providing services or materials to majority firms. Such broker-dealer firms are generally newly formed with limited investment, few employees, and little chance to survive the end of the LPW II preference program. Contracts with businesses in this category have been appropriately discounted, so that only 10 percent of such expenditures have been counted toward meeting the MBE requirement. Our data indicate, however, that both of these situations are atypical. The vast majority of firms originally identified as MBEs are bona fide minority businesses, and these enterprises are reaping the intended benefits of the 10 percent MBE requirement.

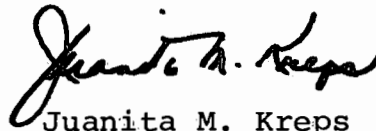
60 Minutes' Coverage

The reason I am again bringing our progress in this effort to your attention is that CBS' 60 Minutes program will be airing within the next two months a story that focuses not on the overall success, but on the problems associated with the MBE undertaking. Specifically, the 60 Minutes segment apparently will highlight those instances where non-bona fide MBEs or broker-dealer MBEs attempted to take advantage of the 10 percent minority business requirement.

60 Minutes' Mike Wallace has interviewed on camera a member of EDA's staff but, thus far, has declined to tape an interview with Assistant Secretary Bob Hall, who could provide a balanced policy perspective on the accomplishments and shortcomings of the MBE effort. Mr. Hall has spoken with Mr. Wallace and urged that

60 Minutes place the MBE story in its proper context, as well as reiterated his readiness to be interviewed on EDA's role in its implementation. However, it appears that he will not be interviewed and that the "sensational" negative aspects of the MBE undertaking will be the focus of the 60 Minutes show.

From the outset, we have worked closely with Congressman Mitchell and his staff in implementing the MBE requirement, and the Congressman is extremely supportive of our efforts to date. He shares our concern about the potentially detrimental impact of a negative 60 Minutes report on future minority business preference programs. Consequently, he and his staff are working with us on ways of presenting the full picture with regard to the MBE 10 percent effort. Your press office is also engaged in efforts designed to provide appropriate media with the "real MBE story."

A handwritten signature in dark ink, appearing to read "Juanita M. Kreps". The signature is fluid and cursive, with the first name "Juanita" being more prominent and the last name "Kreps" following in a similar style.

Juanita M. Kreps

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 14, 1978

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*
SUBJECT: Industrial Production in November, and
Home Sales in October

Industrial Production

Tomorrow (Friday, December 15) at 9:30 a.m. the Federal Reserve will publish figures on industrial production in November. Total industrial output rose 0.7 percent -- a substantial increase, but less than we had expected on the basis of last month's sizable employment increase in manufacturing.

By industry categories, November increases in industrial output in the 0.6 to 0.8 percent range -- or at about the same rate as the total -- were fairly widespread. The only sector showing a decline output was furniture, appliances, and other home goods. Auto production rose 1.8 percent; major car producers had scheduled a relatively high volume of output in the fourth quarter, and are generally holding to their plans (Chrysler is the exception).

This is one more indication of relatively strong gains in economic activity in the fourth quarter, but it does not give us much new information on the probable size of the overall increase in real output.

Housing Sales (already released)

In October, housing sales rose to an annual rate of 979,000 units -- a huge 24 percent rise over September. (The data cover only merchant builders' sales; the level of sales is therefore lower than the total volume of single family homes actually constructed.) This is, by a sizable margin, a record month for sales. The most recent peak was in October of 1977, with 870,000 units. This is an irregular and widely fluctuating series. And the October data do not reflect conditions since the November 1 rise in interest rates. Nevertheless, it is one more hopeful sign.

P

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THE WHITE HOUSE
WASHINGTON

18 Dec 78

The Vice President
Hamilton Jordan
Zbig Brzezinski

The attached was returned in
the President's outbox and is
forwarded to you for your
information.

Rick Huteson

~~SECRET~~

DECLASSIFIED

Per, Rac Project

ESDN: NLC-126-15-24-1-8

BY 155 NARA DATE 6/25/13



~~SECRET~~

THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

December 15, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Significant Actions, Secretary and Deputy Secretary of Defense
(December 9-15, 1978)

Iran: In addition to authorizing transport at government expense for all DoD dependents who wished to leave Iran, I directed that a four-ship naval task group remain in the Persian Gulf area. I am also reviewing other alternatives related to Iran, as we discussed this morning.

U.S.-Yugoslav Joint Military Committee: A delegation from Defense and State met this week in Belgrade with Yugoslav officials to establish a bilateral Joint Military Committee. The committee will meet at least annually to review the progress in U.S.-Yugoslav military cooperation, including the arms transfer relationship, military schooling and training, and visits by senior defense officials. In general, the Yugoslavs were satisfied that progress was being made in our relationship. There remains a measure of dissatisfaction at our occasional denials of technologically more sophisticated equipment; they and we will simply have to live with that situation.

Military Compensation Reform: I have sent you by separate memorandum my views on each of the recommendations of the Commission on Military Compensation. The most significant single issue concerns changes in the military retirement system. I have recommended a system which I believe is consistent with the Zwick Commission's proposal in terms of cost savings and improved equity, but at the same time retains some of the features of the present system that are highly valued by the uniformed services. Its specific provisions are rather different from that of the PCMC. By February I anticipate forwarding for your consideration an integrated set of detailed proposals to reform military pay.

Visit of Australian Secretary of Defense: Sir Arthur Tange, Secretary of Defense for Australia, has been visiting with various DoD officials during the past two weeks. His discussions with Charles Duncan and several of my assistant secretaries focused on logistic support and U.S. defense facilities in Australia.

Precision Guided Munitions Demonstration: The Precision Guided Munitions (PGM) demonstration at White Sands Missile Range last Tuesday was a technical success--all impressive direct hits. Media coverage has been quite favorable and reasonably extensive. Demonstrations such as these provide valuable test data while at the same time giving visible evidence of the capabilities now being developed for and deployed in our forces in the way of modern and effective weaponry.

Classified by _____
Declassify on 15Dec1998
Reason 2-301c.7

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Per: Rac Project
ESDN: NLG-126-15-24-1-8
BY: KS NARA DATE 6/28/13
SEC DEF CONTR No. X-00287

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Civil Service Reform: I have formed a Senior Review Group under Charles Duncan's leadership to direct and monitor implementation of the Civil Service Reform Act. Each of the Services will be establishing similar groups. I intend that DoD, as the largest federal employer, set the example in implementing the act in an imaginative and aggressive manner.

Harold Brown

~~SECRET~~

THE WHITE HOUSE
WASHINGTON

18 Dec 78

To Secretary Adams

The attached was returned in
the President's outbox today
and is forwarded to you
for appropriate handling.

Rick Hutcheson



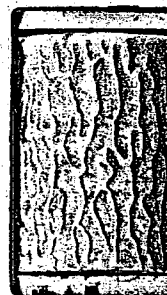
THE WHITE HOUSE
WASHINGTON

18 Dec 78

Jack Watson
Stu Eizenstat

The attached was returned
in the President's oubox
today and is forwarded to you
for your information.

Rick Hutcheson



FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

ACTION

FYI

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

November 27, 1978

Very good
J

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson

FROM: Brock Adams

SUBJECT: Department of Transportation 1977 - 1978

B. Adams

This memorandum details many of the achievements of the Department of Transportation as we approach the two-year mark. It is organized in three parts -- Legislation, Administrative Decisions, and Internal Organizational Changes.

LEGISLATION

The Department achieved passage of each of the major initiatives you assigned. These included:

Airline Regulatory Reform

The Department spent a great amount of time both testifying and working with the interest groups, labor, management, and community leaders who were concerned about any change being made in the existing CAB system.

Surface Transportation Assistance Act

This was the first comprehensive legislative attempt to combine highway and public transit programs. We were able to obtain about 70 percent of the Administration's requested structural changes. These will go a long way toward improving the quality of highway and transit programs in the States. For example, combining planning for highway and public transit projects, allowing some shifting among categories, and the leveling out of many formulas for grants will substantially reduce the traditional conflicts between highway and public transit interests and enable us to make fundamental transportation policy changes. This means building fewer roads, shifting to maintaining the system, and consolidating energy-saving

public transit into the highway system. There is a new rural transportation program and \$200 million for urban transportation initiatives. Q

Conrail Authorization

An authorization for funding to maintain the northeastern rail network was passed in the closing hours of the 95th Congress, after intensive personal involvement on the Hill.

Waterway User Charges

Imposes the first user fee in history on commercial inland waterway operators and moves toward placing those users on the same footing as other transportation modes. Up to ten cents a gallon on fuel will be channeled into an "Inland Waterways Trust Fund" to help pay for operation, maintenance and construction on the inland navigation system.

Appropriations

The Department of Transportation's FY 1979 Transportation Appropriations Bill was the first such bill through this session of Congress. The FY 1979 DOT Appropriations Bill was within your budget guidelines so you could sign it without any serious reservations.

Air Cargo Deregulation

This bill, which was passed in 1977, deregulated air cargo traffic and has encouraged substantial new competition in this growing area of transportation.

Amtrak Improvement Act

After years of conflict, this bill brings Amtrak within the budget-making system of the Government and provides a process for rationally structuring routes using a system of political trades involving routes for money. We have a new Amtrak President, Alan Boyd, a new management, combined with the new process, gives hope that with hard work the rising deficits can be checked.

Rail Branchline Legislation

Provides tools to enable States to support reductions in unneeded trackage while assisting worthwhile branchlines,

rather than those already abandoned. It will also encourage restructuring, particularly in the Midwest region.

Rail Bankruptcies

A major section of the bankruptcy reform law will enable us to use the rail bankruptcy process to encourage rail plant restructuring by allowing for sale or abandonment of properties rather than endless reorganization.

Rail Safety Legislation

Strengthens the Department's rail safety enforcement authority in light of growing rail safety problems, such as the transportation of hazardous materials.

Tanker Safety Legislation

This carries out the initiative you announced in the Spring of 1977. It strengthens Federal jurisdiction over oil tanker construction, operating procedures, crew and pilotage requirements. We have also negotiated a new series of international protocols directed toward avoiding a repeat of incidents like the Argo Merchant grounding and oil spill.

ADMINISTRATIVE DECISIONS

AVIATION

- International Aviation Policy - A new policy developed with the Department of State and the CAB now guides U.S. negotiators in developing competitive air service agreements with other countries. Of real importance is that we no longer have internal U.S. friction blocking international agreements.
- Bilateral Air Service Agreements - A series of international agreements with thirteen nations has been negotiated which increases competitive opportunities for airlines and offers the prospect of lower fares for air travelers.
- Concorde - A final rule was issued in June that makes future SST's subject to the same noise levels as subsonic aircraft with a local option for individual airports. This controversial issue involved the British, French, and local airport operators.

-Controlling Federal Aviation Administrative Growth

FAA has traditionally grown faster than any of its sister DOT agencies. However, with the past two budget submittals, we have succeeded in stopping this FAA unrestrained budget growth. With the FY 1979 budget, we are able to cut \$13 million and 2,625 positions. For FY 1980, when all elements of the Department were asked for budgetary reductions, we were able to identify reductions totaling \$18.8 million which put the FAA budget below target. In addition to budgetary reductions, we have been able to reduce FAA Washington Headquarters staffing by 424. This is part of efforts to redirect resources to programs that are mission-related or that reduce further operating costs.

THE AUTOMOBILE

-Energy Conservation - The contribution to solving the Nation's energy shortage has been made primarily by conserving fuel used in the automobile transportation system. Passenger car fuel economy standards were issued June 30, 1977. The National Highway Traffic Safety Administration has worked on the fuel economy standards and is now proposing further standards for light trucks and vans. It is estimated that a total savings, due to these standards, will be over 13 billion gallons of fuel per year in 1985 and 25 billion gallons per year in 1990. We are moving Detroit toward a new type of automobile, smaller and more energy-efficient. For commercial vehicles - large trucks and buses - we have worked with vehicle manufacturers and users to develop a voluntary fuel-efficiency program yielding further substantial savings (an estimated 8 billion gallons per year in 1990) through economic, non-regulatory incentives.

-Passive Restraints - If cars are going to be smaller, they will have to be safer. All automobiles sold in the United States will have to have airbags or passive safety belts by 1984 under rules promulgated by the Department on June 30, 1977. Crash protection for all front seat positions will start September 1, 1981, for all large size 1982 model cars. The requirements will be extended to 1983 model intermediate and compact cars and to 1984 model sub-compact and mini-size automobiles. It is estimated these measures will save as many as 9,000 lives annually and will reduce the severity of injury to millions of other accident victims. After vigorous debate, the Congress upheld the Department's position in October, 1977.

- 55 Mile Per Hour Speed Limit - We have moved to promote and enforce a 55 mph speed limit to save petroleum resources and lives. This program is difficult to enforce, but the governors and police officials have been very cooperative; however, they want increased funding to assist their enforcement efforts.
- Highway Decision Making - Long-standing controversies over a number of major interstate highway segments have been resolved and moved out of the Department, including the Los Angeles Century Freeway; Franconia Notch in New Hampshire; I-90 in Washington State; I-10 in Phoenix, Arizona; and many others. Some of these projects have been in the "decision-making stage" for as long as 15 years.

MARINE POLICY

I am forming a Marine Office within the Department to centralize and coordinate Transportation Department maritime policy making (inland and deep draft). Maritime affairs with the Department have been fragmented in different parts of DOT. This is true for the whole U.S. approach to maritime policy, but the Department of Transportation has been prevented from doing more to help you with the governmental fragmentation of maritime transportation policy by Section 7a of the act that originally created the Department.

- Marine Safety and Pollution - This Administration has taken a bold stance on reducing pollution at sea. A major Presidential statement has been issued on requirements for radar collision avoidance systems, segregated ballast and double bottoms on tanker ships, and emergency steering. New regulations governing navigation at sea have been placed into effect worldwide. In addition, we have introduced and are working for enactment of a comprehensive oil pollution liability "superfund" to assure that the costs of cleaning up the environment when accidental spills occur will be borne by shippers and users of oil rather than the public.
- Enforcement of 200-Mile Fishing Limit - On March 1, 1977, the Coast Guard began enforcement of the 200-mile fishing limit, a measure which has assured, through international agreements and strict penalties for violators, the conservation of fishing catches and preservation of the U.S. fishing industry.

- Drug Interdiction at Sea - Within the past two years, there has been a quantum increase in the quantity of illicit substances seized at sea by the Coast Guard. For example, during fiscal year 1978, Coast Guard units seized 130 vessels and their contraband cargoes consisting of over 2.9 million pounds of marijuana with a street value of over \$1 billion.
- Seaway Toll Increase Negotiated - The U.S. Seaway Development Corporation and Canadian Seaway Authority reached substantial agreement on the first increase in tolls on the St. Lawrence Seaway since the Montreal to Lake Ontario section opened the Great Lakes to ocean traffic in 1959. This will permit the Corporation to continue to pay its operating and maintenance costs and capital retirement from toll revenues.
- Women in the Coast Guard - For the first time in its 187-year history, the Coast Guard has assigned women to duties at sea aboard the Coast Guard vessels and at isolated Coast Guard stations. All members of the Coast Guard, female or male, will now be assigned to sea duty based on their personal qualifications and the needs of the service.

RAIL

- Restructuring - The Department has begun an effort to assist Midwest railroads to reduce their plant and fight their rising costs through trackage agreements, consolidations and market swaps negotiated under new authority provided in the so-called "Quad R Act." Our administration of the financing provisions of that Act has held the principles of rail restructuring and obtaining security for the Government's funds -- thus preventing the program from degenerating into a grant program.
- Amtrak - The Department has issued a proposal to cut the far-too-expensive rail passenger network by more than one-third and will move next year to have this decision sustained in Congress.
- Safety Regulations - Rail safety regulations have been a maze of contradictions and problems. In response to this situation, I directed a departmental task force to completely revise, simplify and improve these regulations. The task force recommendations, which make substantive improvements in the management, enforcement, and emergency response aspects of hazardous materials operations, have received my approval. These recommendations are now being implemented.

- Future Rail Policy Study - The Department has issued a major rail study that will serve as the basis for our rail policy for many years to come, including during the upcoming rail regulatory reform struggle.

OTHER

- Economic Regulatory Reform - In addition to our legislative efforts for reform, DOT has actively participated in many proceedings before the commissions and boards which economically regulate transportation. For example, since January, 1978, we have filed comments with the Interstate Commerce Commission in approximately twenty matters involving motor carriers and in over fifteen proceedings involving railroads. We have also actively participated in numerous proceedings before the Civil Aeronautics Board and, to a lesser extent, before the Federal Maritime Commission. While the subject matter of these proceedings has varied greatly, DOT has consistently urged the regulatory commissions to adopt policies which encourage market competition, increase transportation and administrative efficiency, and fight inflation.
- Urban Development Opportunities - Working with Jack Watson and his Interagency Coordinating Council, I have identified significant opportunities where we can target the highway and transit program toward the achievement of urban goals -- and avoid negative urban impact. Our plans for new highways stress the removal of environmental problems and the encouragement of economic opportunities as part of the formal decision on the project. With the help of the Interagency Coordinating Council, we are developing relationships with the other Cabinet agencies to leverage our projects with theirs.
- Consumer Protection - The Department continued its aggressive program of ensuring consumer safety and access to transportation through recalls of defective equipment, such as the 10 million Firestone 500 passenger tires which were found to be unsafe. The same is true of the regulations designed to guarantee accessibility for handicapped and disabled consumers of transportation services. New buses and subways must provide access.
- Accessibility of Public Transit to the Elderly and Handicapped
In an effort to assist the elderly and handicapped in using public transit, I have issued the "Transbus" decision requiring that Federally funded public transportation

vehicles be accessible to the elderly and handicapped by September 30, 1979. We are now working to promulgate regulations implementing Section 504 of the Rehabilitation Act of 1973 dealing with the handicapped. While HEW-mandated requirements call for very expensive reconstruction of existing rail systems, we are trying to see if less costly measures can be designed which will meet the statutory requirements.

INTERNAL ORGANIZATIONAL CHANGES

Creation of a Surface Transportation Administration

Soon after taking over at DOT, I became convinced of the logic and practical need to merge the Federal Highway Administration and the Urban Mass Transportation Administration. I have now announced plans for the creation of the Surface Transportation Administration. This reorganization is in line with your goal of reducing the size of the bureaucracy, cutting red tape, and pooling resources. The Federal Highway Administration and the Urban Mass Transportation Administration have done a fine job of putting aside traditional partisan interests and have given full support to this endeavor. The major objectives of the STA are to: provide an integrated organization for highway and transit under one Administrator; streamline program delivery for Federal assistance; and enhance the Department's responsiveness to State and local transportation needs.

Regulations Council

A high-level advisory body directed by the Deputy Secretary now reviews departmental regulations with the aim of eliminating unnecessary rules and ensuring that necessary regulations are understandably written. A regulation calendar for the year has been created and published in the Federal Register. During the first half of the year, the regulations review program had reduced public reporting requirements by nearly 18 percent. The Coast Guard, for example, had reduced the number of hours required for public reporting by roughly 45 percent. To provide for full, early dialogue with the regulated industry and other interested parties, the National Highway Traffic Safety Administration in March, 1978, issued a five year plan for motor vehicle regulation.

Red-Tape Reduction in Federal Highway Administration

The FHWA has undertaken an ambitious program which has led to: a three-month Form Reduction Campaign resulting in the elimination of 681 of the 1,813 forms used by FHWA, a task

force study resulting in recommendations to simplify information systems which led to an estimated savings of 105,000 employee man-hours a year, and a general approach to management which emphasizes responsible decision making at the lowest possible level in the system.

Reorganization of the Office of the Secretary

In accordance with the Administration's desire to streamline Federal government operations and to make them more efficient, the Office of the Secretary was reorganized. The objectives of the reorganization were: 1) a smaller organization which eliminates unnecessary layering; 2) achievement of manpower reductions; 3) elimination of duplication and overlapping jurisdiction; and 4) a stronger program evaluation effort to achieve policy goals and objectives. The size of the Office of the Secretary has been reduced by 40 percent both by eliminating positions and consolidating separate offices into a single administration called the Research and Special Programs Administration.

Minority Business Opportunities

In September 1977, I issued a minority business policy which, in your Urban Policy Message, you suggested other agencies adopt as a model. My order mandated the following: percentage goals for minority business; that competitive minority business set-asides be allowed in the procurement and grant areas; and, that there be what amounts to pre-contract and pre-grant agreement prior to a contract being signed or a grantee receiving funds. In addition, I have reaffirmed the Departmental goal of 15 percent minority business participation in the Northeast Corridor Project, which has been running ahead of this goal and may be the largest minority business program in the government.

Implementation of Zero Based Budgeting

The Department successfully implemented and adopted the ZBB system to its diverse functions, overcoming problems of ranking safety, operating and grant-making activities in a coherent way. Overall our budget posture has been severely constrained in comparison to public demand for our programs and our line managers have worked hard to find ways to accomplish this mission within these restraints. In particular, our requested level for departmental civilian employment in 1980 is two percent below that requested by the Ford Administration for FY 1978, and we are seeking further ways to bring this total down through the job freeze you have ordered.

Urban Policy Initiatives

To improve the opportunities for leveraging our transportation investments with non-transportation Federal programs, I have worked closely with your staff, particularly Jack Watson, to create a new approach to urban transportation development. Our highway, transit and rail grants should contribute to urban improvement. Working with members of the IACC, we are encouraging Federal, local and private investment to build on our urban transportation projects, notably in the areas of housing and economic development. For example, the decision I issued to approve the Century Freeway in Los Angeles is contingent on several conditions being met. These call for a plan for integrating exclusive bus and carpool lanes into the new highway improvements in the Los Angeles area and provide links with the existing public transportation systems. Extensive efforts in meeting the relocation needs of the affected communities are being directed toward using this opportunity for improving housing stock in the area and building an economic base which will expand job creation. Similar efforts in small, as well as large, cities are being made which should be used to build a new policy. I will discuss this at the urban panel during the mid-term convention in Memphis.

Public Participation Initiatives

During the past two years, the Department has taken the lead in funding citizen participation in administrative proceedings. The Department's demonstration program in the rulemaking proceedings of the National Highway Traffic Safety Administration and public participation in our handicapped rulemaking has shown that funding citizen participation is not only feasible, but is a valuable adjunct to existing rulemaking procedures.

10:30 AM
-7:00 PM

THE WHITE HOUSE
WASHINGTON

FOR THE PRESIDENT AND MRS. CARTER

FROM GRETCHEN POSTON *lp*

DATE: 15 December 1978

SUBJECT: ACTIVITIES FOR 18 December 1978.

Attached are papers relating to the Christmas parties scheduled for Monday, December 18th.

MONDAY, 18 December 1978

10:00 A.M. - RECEPTION FOR MEMBERS OF THE USSS (plain-clothes
and uniformed) AND FAMILIES

Estimated number of guests - 1000 !!
Dress: Business suit

10:00 A.M. Guests arrive via Southwest Gate to Diplomatic Reception Room,
and continue to State floor.

(First Baptist Church Children's Choir
performing on Grand Staircase.)

(Refreshments being served in East and
State Dining Rooms.)

10:00 A.M. Guests arrive via Southwest Gate to Diplomatic Reception Room,
and continue to State floor.

(First Baptist Church Children's Choir
performing on Grand Staircase.)

10:30 A.M. THE PRESIDENT AND MRS. CARTER arrive State floor, and proceed
directly to Choir group on Grand Staircase, for welcoming re-
marks, and photo with Choir.

Following remarks, THE PRESIDENT AND MRS. CARTER mix and
mingle with guests.

(U.S.M.C. Brass Choir performing in Main
Hall, alternately with Choir.)

10:45 A.M. THE PRESIDENT AND MRS. CARTER depart State floor.

NOON All guests depart Residence.

The Children's Choir from the First Baptist Church, in
Washington, D.C., (the church which the First Family attends) will be
entertaining these guests from the Grand Staircase on the State floor
during the function.

Alternating with the Choir will be the U.S.M.C. Brass Choir.

Menu: Holiday breads
Pastries
Egg Nog
Punch

Sp

MONDAY, 18 December 1978

6:00 P.M. - RECEPTION FOR WHITE HOUSE STAFF & GUESTS

Estimated number of guests - 600

Dress: Business suit

6:00 P.M. Guests enter Northwest Gate to North Portico.

(Buffet and refreshments set up in ground floor cross hall, East and State Dining Rooms.)

(Military ensemble playing dance music in Main Hall, alternating with program presentations.)

6:30 P.M. First program-"A Christmas Carol", in Diplomatic Reception Room.

7:00 P.M. Second program-"A Christmas Carol", in Diplomatic Reception Room.

THE PRESIDENT AND MRS. CARTER arrive State floor, and mix and mingle with guests.

7:10 P.M. THE PRESIDENT AND MRS. CARTER move to foot of Grand Staircase for welcoming remarks, and to see program.

(Standing mike at foot of stairs.)

7:15 P.M. Third program-"The Broadcast", in Main Hall.

At conclusion of third program, THE PRESIDENT AND MRS. CARTER continue to mix and mingle. Dancing resumes.

7:40 P.M. THE PRESIDENT AND MRS. CARTER begin to move to Diplomatic Reception Room to see fourth program.

7:45 P.M. Fourth program-"A Christmas Carol", in Diplomatic Reception Room.

At conclusion of fourth program, THE PRESIDENT AND MRS. CARTER depart ground floor via elevator to private quarters.)

8:15 P.M. Fifth program-"The Broadcast", in Main Hall.

At conclusion of fifth program, dancing resumes.

9:00 P.M. All guests depart Residence.

The Diplomatic Reception Room will be set up in cabaret style, and food and refreshments will be available on the ground floor. The entertainment program for the evening will be performed 5 times total,

Reception for White House Staff & Guests - Continued

with rotating locations and presentations. The movement of the shows, and the availability of refreshments on two floors should enable us to expand the room available to guests, and avoid a crush. The guests at this party are the White House support staffers who were not included at the Halloween party. In addition, the Social Aides have been invited as guests to this function, and they will rotate among themselves as to who is working during this party.

In the Diplomatic Reception Room, the full cast of "The 1940s Radio Hour" will "broadcast" the second chapter of "A Christmas Carol", the "action of the first spirit" - and to hear the remainder of the program, the guests will have to "tune in next week" for the next episode.

On the Main floor of the Residence, the cast of the 'Radio Hour' will re-create radio programs complete with commercials. Written and directed by Walton Jones, a Washington native, the show includes memorable swingtime tunes, including "Chattanooga Choo Choo", "Top Hat", "Love is Here to Stay", and "Moonlight Serenade". The well-remembered commercials from the radio programs of the 40s, including the "Sal Hepatica" commercial, will also be heard, along with "Blue Moon", "Boogie Woogie Bugle Boy", and "I'll Be Seeing You". The sound booth effects, the flashing applause sign, and orchestra affectionately conjures up a December, 1942 radio broadcast "live from the Algonquin Room of the beautiful Hotel Astor in New York City". The show has been a surprising success, having been held over for several extra weeks at Arena Stage here, and is being considered for Broadway.

While the "radio show" is "off the air", the U.S.M.C. Dance Ensemble will provide dancing music.

Menu: Smoked Turkeys
Steamship Round of Beef
Ham Rolls
Fennel Strips
Wine
Egg Nog
Coffee and Pastries

ROSALYNN AND I ARE HAPPY TO SEE YOU AND YOUR
FAMILIES ON THIS BEAUTIFUL MORNING - AND TO WISH YOU A
MERRY CHRISTMAS.

AS MEMBERS OF THE SECRET SERVICE AND THE
UNIFORMED DIVISION OF THE SECRET SERVICE -- WE ARE
PLEASED TO WELCOME YOU AS GUESTS TODAY.

YOU DO SO MUCH FOR US THROUGHOUT THE YEAR -
AND FOR OUR FAMILY - AND WE ARE GRATEFUL.

THE CHILDREN'S CHOIR FROM OUR CHURCH - THE
FIRST BAPTIST CHURCH - IS HERE WITH US ALSO - BRINGING
THE MUSIC OF CHRISTMAS AND PEACE TO THIS HOUSE.

1
THE WHITE HOUSE
WASHINGTON

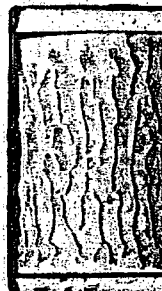
18 Dec 78

The Vice President
Stu Eizenstat
Jack Watson
Anne Wexler

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

Phil Wise
Fran Voorde
Hamilton Jordan



FOR STAFFING
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/	JORDAN
/	EIZENSTAT
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	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
/	WATSON
/	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARAGON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	LINDER
	MARTIN
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
/	VOORDE
/	WARREN
/	WISE

THE WHITE HOUSE
WASHINGTON

December 15, 1978

ok
J

MEMORANDUM FOR THE PRESIDENT

FROM: The Vice President
Stu Eizenstat *Stu*
Anne Wexler *Wexler*
Jack Watson *Jack*

SUBJECT: MEETING WITH THE GOVERNORS AND
DEMOCRATIC MAYORS ON THE FY 80 BUDGET

We think it is vitaly important for you to meet next week with representatives of the Governors and the Democratic Mayors to discuss the FY 80 budget before any final budget decisions are made. We assured them in Memphis that they would have a chance to meet with you personally before those decisions are reached, and it was, in large part, that assurance which enabled us to avert a broadside of criticism from the Mayors.

We can handle various other groups later or in other ways, but in our judgment the Governors and Mayors must be given a chance to express their views directly to you on this subject which is the most important subject of all to them.

We understand how tight your schedule is next week and would not make this recommendation if we were not all convinced that these two meetings are crucial.

THE WHITE HOUSE
WASHINGTON
December 14, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT: CBO Forecast

As I did last year, I met on December 13th with Alice Rivlin, Director of the Congressional Budget Office, (CBO) and her top staff, to review their budget and economic projections.

While they stressed that their forecast was tentative at this point, their views are particularly interesting and important for the impact it may have on Congressional action.

In every respect, their forecast is markedly more pessimistic than the Administration's. They explained that this was due to the fact that they see no slowdown in inflation in the next year, with continued strong increase in money demand and thus continued high interest rates. These continued high rates of interest, in their estimation, will lead to slower growth (thus lower revenues) and higher unemployment (thus greater transfer payments for unemployment insurance and welfare) as well as bigger outlays simply to accommodate the higher interest rates than the Administration forecasts.

It is important to recognize that their pessimistic inflation forecast does not assume any deregulation (immediate or phased) of crude oil prices.

FY '79

OMB and the second concurrent budget resolution project a deficit of \$39 billion. CBO estimates that by the end of the fiscal year the deficit is likely to actually be \$46 billion (\$450 billion in revenues and \$496 billion in outlays) under their pessimistic projections of higher inflation and lower growth than earlier estimated.

They believe a third concurrent budget resolution will be needed to handle supplemental budget requests for FY '79 and that there may be increased resistance to a large defense supplemental. They estimate real g.n.p. growth of about 1% on the basis of 4th quarter 1979 to 4th quarter 1978 (2 1/2% year to year) and 7.9% inflation. They project a recession in the 3rd and 4th quarters of 1979, and unemployment is expected to reach 6.9% by year end.

FY '80

CBO projects a deficit in "current policy" terms (where all expenditure programs, including those not automatically indexed, are adjusted to compensate for inflation) of \$50 billion.

For FY 1980, they forecast higher inflation and faster growth than does the Administration. They estimate 4% real g.n.p. growth fourth quarter to fourth quarter (2.4% year to year), 7.7% inflation, and year end unemployment at 6.8%. The relatively good 4% growth projection depends in part on the stimulus provided by their assumed \$50 billion FY 1980 deficit. A deficit of \$30 billion would probably reduce that growth projection to the neighborhood of 3% (roughly the same as the Administration forecast) and add several tenths to the assumed unemployment rate.

In short, they forecast a return to "stagflation" (with both unemployment and inflation in the neighborhood of 7.7%) and indicated that growth is really the key to bringing down the deficit.

THE WHITE HOUSE
WASHINGTON

18 Dec 78

To Secretary Califano

The attached was returned
in the President's outbox
today and is forwarded to
you for appropriate handling.

Rick Hutcheson



THE WHITE HOUSE
WASHINGTON

18 Dec 78

Tim Kraft
Arnie Miller

The attached was returned in
the President's outbox today
and is forwarded to you for
your information.

Rick Hutcheson



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FOR INFORMATION

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JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

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HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL Ann

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

THE WHITE HOUSE
WASHINGTON

December 6, 1978

cc Califano -
I asked Arnie to
comment on your
memo. Not for
argument, but for
comprehension

J

MEMORANDUM FOR THE PRESIDENT
THROUGH: TIM KRAFT TK
FROM: ARNIE MILLER AM
SUBJECT: Hew Appointments

The numbers in the attached memo are substantially correct (although HEW is third and not second with respect to women). While HEW's overall statistics with respect to Presidential Appointment-Senate Confirmation (PAS) appointments are in line with the rest of the Administration, the purpose of the November 21 memo was to bring to your attention the scarcity of women and minorities in the key policy jobs at HEW. Many of these jobs are not PAS. Some PAS jobs are at lower levels within HEW. Women and minority groups are aware of this situation and have complained about it.

The top policy positions in HEW include the Under Secretary, all Assistant Secretaries, the General Counsel, the Inspector General, the Executive Assistant to the Secretary, the Executive Secretariat, and the Heads of FDA, NIH, SSA, OE and NIE.

Secretary Califano has made twenty-five selections for these positions during his tenure. Twenty-one of these have been white males. Two of the remaining positions have been filled by white females, one by a Black female, and one by an Hispanic female.

The perception held by women and minority groups and others is that HEW is run by white males. It is important for us to change this perception by involving women and minorities in policy-making positions in the Department.

THE WHITE HOUSE

WASHINGTON
01 Dec 78

✓ Arnie Miller

The attached was returned in
the President's outbox today.
It is forwarded to you for
appropriate handling.

Rick Hutcheson


Tim Kraft

To Ann Miller
brief comment
J

- True Labor
27.3
HEW 22.29%
fully 3rd behind labor
- True
- True
- a. HEW ties with Labor for second place in the percentage representation of minorities among Presidential/Senate Confirmation Appointees. HEW and Labor have 20 percent minorities; Justice has 25 percent.
 - b. HEW is second to HUD in the percentage representation of women among Presidential/Senate Confirmation Appointees. Thirty-six percent of HUD's Presidential/Senate Confirmation Appointees are women.
 - c. HEW makes its poorest showing in the category of minority male Presidential/Senate Confirmation Appointees. With only five percent, it falls behind every Department except State.
 - d. However, HEW has the highest percentage of minority female Presidential/Senate Confirmation Appointees - 15 percent.

THE WHITE HOUSE
WASHINGTON
December 15, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER 
SUBJECT: Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

<u>INCOMING</u>	<u>WEEK ENDING 12/8</u>	<u>WEEK ENDING 12/15</u>
Presidential	24,230	22,330
First Lady	2,390	5,350
Amy	260	410
<u>Other First Family</u>	<u>80</u>	<u>130</u>
TOTAL	26,960	28,220

BACKLOG

Presidential	4,785	7,405
First Lady	200	315
Amy	0	0
<u>Other</u>	<u>0</u>	<u>0</u>
TOTAL	4,985	7,720

DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED

Agency Referrals	13%	13%
WH Correspondence	51%	49%
Unanswerable Mail	17%	19%
White House Staff	6%	5%
Greetings Requests	12%	11%
<u>Other</u>	<u>1%</u>	<u>3%</u>
TOTAL	100%	100%

NOT INCLUDED ABOVE

Form Letters	0	0
Form Post Cards	9,620	1,550
Mail Addressed to White House Staff	16,033	15,738

cc: Senior Staff

MAJOR ISSUES IN
CURRENT PRESIDENTIAL ADULT MAIL
Week Ending 12/15/78

ISSUES	PRO	CON	COMMENT ONLY	NUMBER LETTERS
Support for President's Address to the Nation on Inflation 10/24/78	41%	11%	48%	902
Support for Protection of Alaska Lands	95%	5%	0	460
Support for Aid to Vietnamese Refugees Stranded off the Coast of Malaysia	91%	9%	0	260
Support for Use of Tax Dollars to Return Americans from Guyana	2%	98%	0	182
Support for Reduction of Housing Budget for FY 1980 (1)	3%	97%	0	147
Support for U.S. Aid to End World Hunger	99%	0	1%	141
Comments re: Guyana Tragedies	0	0	100%	<u>103</u>
			Total	2,195

(1) SUPPORT FOR REDUCTION OF HOUSING BUDGET (97% Con)

Emphasizing the need for public and subsidized housing programs, writers object to rumors that the housing budget for FY 1980 will be reduced.

THE WHITE HOUSE
WASHINGTON

TO: The President

FROM: Bob Finkelstein

Re: Suit attacking
Wage-Price Guidelines.
For your information

C

12/15/78

from Denny Linder
U. S. Attorney's Office - Oregon

United States District Judge Belloni today heard oral argument on plaintiff's motion for preliminary injunction in Association of Western Pulp and Paper Workers v. Alfred Kahn, et al. At the conclusion of the hearing the court found that plaintiff had failed to exhaust its administrative remedies. The court did not express any opinion on the other issues presented by the parties and the amici, including the lawfulness of the program founded by Executive Order 12092. The court ordered the COWPS to afford plaintiff a full due process hearing on the tandem exception or other exceptions to the COWPS standards, and denied plaintiff's motion for preliminary injunction. The court stayed further proceedings pending that administrative process.

Bof Lipschutz

cc: *Alfred Kahn*
Jody Powell
Stu Eigenstat
Anne Wexler
Landon Butler

THE WHITE HOUSE
WASHINGTON

FOR THE RECORD

STU AND JACK WATSON RECEIVED A
COPY OF THE ATTACHED MEMO
TO KREPS FROM RICK HUTCHESON.

THE WHITE HOUSE

WASHINGTON

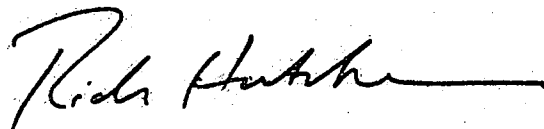
December 18, 1978

MEMORANDUM FOR

THE HONORABLE JUANITA KREPS
SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Re: Your Memorandum dated December 6
Entitled, "Reauthorization of Regional
Commissions and Related Administrative
Actions"

1. The President approved the legislation proposed in pp. 6-7 of the memo, but added: "I do not think much of the Commissions -- Will accept this proposal provided funding is limited to present real level."
2. Regarding the legislative options described on pp. 7-8 of the memo, the President selected Option B: require that any new Commissions be comprised of at least two states, unless a single state can demonstrate compelling reason for a single-state commission.
3. The President approved the implementation of planning and development coordination steps listed on p. 9.
4. The President approved naming Federal Co-Chairs as FRC Chairs as appropriate.
5. The President approved abolishing the Undersecretaries Group and establishing an FRC link to the IACC for policy direction, but added that the Undersecretaries Group could be reconvened if needed.
6. The President directed OMB to address the Regional Boundary issue.
7. The President commented: "Reluctant agreement - but: In general, I consider the regional commissions to be a waste of time and money - very topheavy under the federal and state Co-chairmen - a source of a few \$ for governors. Maybe it's improving -- I hope so. Jack's doing a very good job, but I'm still concerned about too much W.H. concentration and against budget build-up."



Rick Hutcheson
Staff Secretary

THE WHITE HOUSE
WASHINGTON

18 Dec 78

Stu Eizenstat
Jack Watson
Anne Wexler
Jim McIntyre

The attached was returned in
the President's outbox today and is
forwarded to you for appropriate
handling.

Rick Hutcheson

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
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NO DEADLINE
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VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

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MOORE

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WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS - send memo

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

THE WHITE HOUSE
WASHINGTON

December 6, 1978

*Memo excessively
long*
[Signature]
J

MEMORANDUM FOR THE PRESIDENT

FROM:

[Signature]
Juanita Rios
Stu Eizenstat
Anne Wexler
Jim McIntyre
Jack Watson *[Signature]*

SUBJECT:

Reauthorization of Regional Commissions and
Related Administrative Actions

THE ISSUE

The Administration has pledged to come forward with recommendations on the future of Title V Regional Commissions and the Appalachian Regional Commission (ARC). This memorandum presents our analysis of the issues and recommendations for your decision.

BACKGROUND

The Appalachian Regional Commission and the Title V Regional Commissions were authorized separately in 1965 and later reauthorized in the same statute--the Regional Development Act of 1975. This Act expires in September, 1979.

Just before adjournment, Senator Randolph introduced reauthorization legislation. He may hold hearings before January. Randolph, Representative Roe and the National Governors' Association (NGA) have asked that an Administration position be taken in time to be reflected in the hearings. (Originally we had hoped to provide this position by late September.)

The current Regional Commission program, including eight Title V Commissions and the ARC, operates in all or part of 43 states. The requirements of regional planning and decision-making by the governors in concurrence with a Presidentially-appointed Federal co-chairman were intended to ensure that issues common to a region be addressed in a

joint effort. The Commissions' charters include development of cooperative programs involving the states and the Federal government, long-range plans, and generation of support for these plans from both state and Federal agencies. ARC has a special highway construction authorization as well as the added status of a role in advising Federal agencies on policies and programs that affect the region.

While the principal purpose of the program is to address the problem of economic decline in non-metropolitan areas, its record of success is mixed. The Commissions have been relatively successful in improving the quality of life in certain areas by funding facilities or services that would not otherwise have been available through Federal programs. But, although they have made states more sensitive to regional issues, the Commissions have had less success in linking state or sub-state planning to regional concerns, or in limiting grants to projects that are consistent with regional plans.

With the exception of the ARC, which has had a stronger political base of support and broader charter, the Regional Commissions have had relatively small budgets. Total funding for the eight Title V Commissions has remained at or below \$65 million per year since FY 76. The ARC, however, is now funded at \$128.0 million for FY 79.

In order to arrive at an Administration position prior to the expiration of the Regional Development Act, an interagency task force led by Anne Wexler considered three options for dealing with Regional Commissions:

- 1) Abolish Regional Commissions and ^{substitute simple} ~~oppose any~~ new substitute activity. May be best
- 2) Substitute a new program of block grants to states for sub-state and multi-state development purposes, but do away with the Regional Commission structure.
- 3) Support a reformed Regional Commission program to:
 - enable the commissions to address rapid growth policy issues, in addition to their previous functions of dealing principally with economic decline;

- extend coverage to all interested states
- encourage maximum possible focus on problems of a regional nature and programs with regional impact, requiring that grants conform with Regional Development Plans; and
- Improve the relationship of Commissions with other Federal programs through ties to the Interagency Coordinating Council.

Juanita Kreps, Stu Eizenstat, Anne Wexler, Jack Watson and Jim McIntyre recommended the third option, because:

- o We believe that the functions the Regional Commissions are intended to serve are valid.
- o The uneven performance of the Regional Commissions has been due in part to prior Administrations' attempts to abolish the program, poor appointments, and lack of interest and funding support. It has also been due to the fact that Title V Commissions (unlike the ARC) have tended to prepare "regional plans" for their constituent states, rather than with them. As a result, state project requests too often bore little relationship to those plans, and a systematic approach to funding decisions was lacking. We believe that these shortcomings can be remedied.
- o We believe that when properly structured, staffed, and supported, the Commissions can help implement the Administration's urban rural, energy, and export policies; decentralize decision-making and reduce red tape; and coordinate planning programs. They could assume a significant role in implementing the "balanced growth policy" themes of the White House Conference.
- o The Governors (e.g., Carroll, Hunt, Rockefeller, Byrne, Milliken, Judge) strongly support this flexible development instrument. There is no support among Governors for substituting a new individual state grant program (option 2).

- o The concept of a modernized Regional Commission system is strongly supported by NGA and key Congressional leaders, thereby offering an opportunity to end a decade of antagonism on this issue between the Governors and Congress on the one hand and successive Administrations on the other.

Apart from Congressional and gubernatorial interest in this program, several other factors make a decision appropriate at this time. Applications for seven new Commissions are currently pending. Several have been held in abeyance for more than two years. Without a clear approach to the future shape and role of Regional Commissions, there will be no Administration policy to guide their future growth. Budgetary pressures will increase, without any of the attendant benefits achievable through a more reformed system.

Finally, the statute requiring the White House Conference on Balanced National Growth and Economic Development also requires a Presidential Message to Congress, including recommendations, in late October. A Regional Commission initiative flows naturally from the White House Conference recommendations and would serve as a major focus for the Message.

RECOMMENDED PROGRAM

Juanita, Anne, Jack, Stu and Jim agree that an "ideal" system of Regional Commissions should embody the characteristics described below.

- o A nationwide system (covering all states) of multi-state Regional Commissions whose functions would be compatible and would include the provision of assistance in areas of rapid economic growth as well as locations of economic decline. In addition to "economic development" issues, the missions of the Commissions would include energy, export policy, and human and natural resources.
- o Commission efforts and resources should be required to conform to Regional Development Plans that are developed from the ground up, reflecting sub-state and state development plans similar to the ARC planning process model. When combined with anticipated planning and development grant consolidations,

this would enable the regional commission program to serve eventually as the focal point for federally-sponsored sub-state, state, and regional community and economic development planning assistance.

- o The missions of the Federal Regional Councils would be clarified so that they could also serve as a source of information and technical assistance to the states in development of coordinated strategies, and as facilitators in the execution of interagency agreements designed to implement state or multi-state regional strategies.
- o The White House Interagency Coordinating Council would serve as the forum for an interagency review and sign-off on coordinated state or multi-state strategies and growth policy recommendations. The Council would, in effect, act as a broker, leading to the kind of "contract" between the Federal Government and the state(s) that you announced for North Carolina on your trip to Asheville. The IACC could assure that agency investments are actually made in accordance with the approved strategies. There would be an effective White House link for the Commissions, but the integrity of agency authority over grant decisions and Commerce's role as administering agency of the Commissions would be maintained.
- o In an ideal system, partial-state memberships and single-state commissions would be avoided by seeking consistency between the Regional Commissions and the federal regions.
- o The Federal Co-Chairs of all the Commissions (except the ARC, whose Chair reports directly to the President) would report to the Secretary of Commerce.

Taken together, these changes would significantly improve the manner in which the Federal Government spends money for regional, state and sub-state development. Funding a nationwide system of regional commissions at a per capita rate equivalent to the current Title V Commission level would cause a significant budget impact in FY 1982 (an additional \$126 million). We believe, however, that the result of the proposed changes would be a more effective expenditure of the far larger federal grants administered through related programs.

IMPLEMENTING DECISIONS

In order to implement the recommended reforms of the Regional Commission system, several actions, both legislative and administrative, will be required. These actions are outlined below and the few areas of disagreement between your advisers are presented for your decision.

1. Legislation

We recommend that legislation be prepared containing the following components.

- o Broaden the scope of all Commissions (including the ARC) to cover issues associated with rapid growth as well as decline. Scope should be broad enough to ensure that Commissions may work on areas such as energy, urban policy, human resources, and natural resources--issues which go beyond the traditional "economic development" focus.

(One way to achieve this result would be by removing the current programmatic limitations on ARC expenditures in the legislation reauthorizing the program.)

- o Encourage, but do not require, use of Regional Commission resources to help resolve multi-state, rather than strictly local, problems.
- o Continue to require that Regional Commissions report through the Secretary of Commerce. While the Governors strongly favor a system where Regional Commissions report directly to the President, as the ARC does, we do not believe that a new Executive Office function should be created here. Our reasons are based both on concerns about overloading the Executive Office of the President in a manner contrary to the goals and policies expressed in the Executive Office reorganization, and because a reporting relationship to the Secretary of Commerce will permit Regional Commissions to relate more closely to the operating programs of the Federal Government dealing with regional development. Reporting relationships will also be addressed in the forthcoming local development reorganization recommendations.
- o Create a nationwide system of Regional Commissions in which no state may belong to more than one Commission in an evolutionary manner, using incentives, over the next five years.

- o Ensure that the legislation requires all Regional Commissions to use a planning process similar to ARC's -- that is, using state and, where appropriate, sub-state development plans as "building blocks" leading to a coordinated and compatible multi-state development plan.

DECISION:

Prepare legislation based upon above principles.

APPROVE _____

DISAPPROVE _____

2. Other Legislative Issues

- o Planning and development program consolidation. Although the reauthorization of Regional Commissions affords an opportunity to consolidate planning assistance and development programs, OMB believes that your decisions on those issues should be deferred pending consideration of the broader set of PRP recommendations in the local development area. The recommendations will be presented to you later this year.
- o Multi-state membership requirements. All of your advisers agree that Regional Commissions should be composed of two or more contiguous states. Single-state commissions are nearly equivalent to a state development block grant, except that a Federal co-chairman, and possibly "commission" staff, would be added to the planning and approval process. Several Governors, however, want to leave open the option of single-state commissions when the state can make a compelling case that a multi-state commission is not practical. There are, therefore, two options:
 - A. Require that all Regional Commissions comprise at least two states. This would require each of the three states with single-state commission applications now pending to join with one or more adjacent states (in the case of Texas and California) or to join an existing Regional Commission (Alaska). (OMB recommends that the Administration deal with this policy openly and in a direct manner.)

*I do not think
much of the com-
missions - Will
accept this proposal
provided funding
is limited to
present
real
level.*

- B. Require that any new Commissions be comprised of at least two states, unless a single state can demonstrate a compelling reason for a single-state commission. The authority to approve new commissions will continue to rest with the Secretary of Commerce, who has indicated that even with this more permissive language, no single state commissions will be approved. (Jack, Stu, Juanita and Anne recommend this slightly more flexible approach to avoid an unnecessary confrontation with the Governors. Jack and Anne told Governors at the Governors Conference that they would recommend this option to you).

DECISION:

OPTION A _____

OPTION B ✓ _____

3. Administrative Actions

o Planning and Development Coordination

The Regional Commission program provides a new and significant opportunity for correcting the fragmenting effect of multiple federal planning assistance programs and the planning requirements attached to development programs themselves. The reform of this program also provides an opportunity to improve the ability of Governors to make effective growth policy decisions by assuring that:

- All state and sub-state, federally-funded categorical planning assistance programs (e.g., transportation, economic development, outdoor recreation, environmental protection, coastal management and comprehensive planning) support common state policies and objectives established by each Governor.
- These unified state development planning systems reflect development policies established by Governors through the Regional Commission process (similar to the manner in which ARC now functions).
- Federal development programs in these same fields directly support and implement unified state development plans.

Three steps are required to effect these changes:

- all ok
- a. Set aside a portion of the overall Regional Commission budgets for use as an incentive to enable and encourage Governors to develop the state and, where appropriate, sub-state mechanisms required to coordinate (1) planning programs, (2) state and regional development strategies, and (3) implementation of coordinated strategies.
 - b. At your direction, all Federal agencies undertook a thorough review of all Federal planning requirements in 1977 and early 1978. On June 21, 1978, you directed all departments and agencies to eliminate or revise those requirements that were identified as unnecessary or counterproductive. An interim report from OMB is due to you in January, and a final report in July 1979.

We will ensure that the appropriate Federal agencies make their planning requirements compatible and, where possible, uniform, in connection with their review. This will make possible greatly improved and coordinated planning across program lines at the state and sub-state levels.

- c. Authorize the IACC to assist Regional Commissions and Governors to implement unified state development plans calling for the coordinated application of Federal programs along with State resources.
- o The Role of the Interagency Coordinating Council (IACC), The Regional Commissions, and the Federal Regional Councils. All of your advisers believe that the role of the White House IACC, chaired by Jack Watson, should be expanded to provide the Regional Commissions with Administration-wide program and coordination support. While the Regional Commissions (except ARC) would continue to report to Commerce, Commerce would provide staff to meet the needs of the expanded IACC functions, and the Commerce-led Federal Advisory Committee on Regional Economic Development would be abolished. This form of "White House Access" is preferable to the NGA proposal that 14 Regional Commissions report to the President through a new EOP office.

Juanita, Anne, Stu, and Jack believe that the Under Secretaries' Group (the policy oversight body convened jointly by OMB and the White House to deal with FRCs) should be abolished, and that the policy direction of the FRCs as it relates to balanced growth and economic development implementation should be assigned to the IACC. The Under Secretaries' Group has met only three times in the last two years and is effectively dysfunctional. These advisers believe that the important activities of seeking overall management improvement of Federal operations could still be pursued through the FRCs under OMB direction. In their view, OMB would continue to have the lead in directing and overseeing the FRCs in their function as implementors of these management and federal aid reforms as reflected in OMB Circulars and otherwise.

Juanita, Anne, Stu, and Jack also believe that where possible, and with gubernatorial concurrence, the Federal co-chairmen of the Regional Commissions should serve as FRC chairmen. There are varying degrees of difference between the boundaries of the Federal regions and those of the Regional Commissions, and these differences mean that such a system could not be implemented in the near future in all areas. Such changes could, however, be made immediately in two existing regions (New England and the Pacific Northwest), and in one pending region (Mid-Atlantic). Juanita, Anne, Stu, and Jack believe it is worth experimenting with a bridge between federal development-related decision-making and the only existing device the states have for setting state and regional economic development priorities. Further, such an approach in a few regions would give us a chance to see if the FRCs can be made more viable by giving them independent chairpersons, not affiliated with any one department and therefore more credible as brokers among the several federal agencies involved with balanced growth.

Jim, on the other hand, believes that the Under Secretaries' Group continues to have utility and should not be abolished. The IACC can and does resolve interagency program

ok to abolish

conflicts (at least in the balanced growth and economic development areas), but the Under Secretaries' Group remains the only subcabinet group which can be convened by OMB or the White House to resolve interagency conflicts on other matters, or to deal with Presidential policy initiatives.

With respect to the FRCs, Jim agrees that OMB should continue to use them to pursue general management improvements. He also believes, however, that the usefulness of FRCs as regional development tools is impaired by two factors: 1) the differences that exist between the boundaries of the Regional Commissions and Federal regions in all areas but New England and the Pacific Northwest; and 2) the fact that the members of the FRCs are principally secretarial representatives or the equivalent, who generally have no direct control over programs.

Finally, in Jim's view, the immediate abolition of the Under Secretaries' Group and establishment of common FRC/Regional Commission co-chairs with policy linkage to the White House raises serious questions regarding the roles of the Cabinet Secretaries vis-a-vis the field operations of their Departments, and should not be made without further consideration and consultation. Such consideration and consultation is underway as part of the soon to be completed OMB study on the Federal field structure.

how soon?

- o Consistency of Regional Commissions and Federal Region Boundaries. Federal-state coordination on regional issues would be facilitated if the boundaries of Regional Commissions and Federal Regions were identical. Governors, however, argue that the current voluntary grouping of states in Regional Commissions are more responsive to common regional problems than the basically arbitrary grouping that compose the Federal regions. We recommend that the OMB assessment of the federal field system address the issue of boundary changes to achieve greater consistency.

DECISIONS:

Implementation of Planning and Development Coordination
Steps (listed on page 9)

AGREE ✓

DISAGREE _____

Linking Regional Commissions, Federal Regional Councils
and the IACC (check, as appropriate)

✓ Name Federal Co-Chairmen as FRC Chairmen
as appropriate

✓ Abolish Undersecretaries Group and Establish
FRC link to IACC for Policy Direction

Postpone Decision on Above Actions Pending
Completion of OMB Assessment

*we can reconvene
if needed -*

*how
long?*

Direct OMB to Address Regional Boundary Issue

AGREE ✓

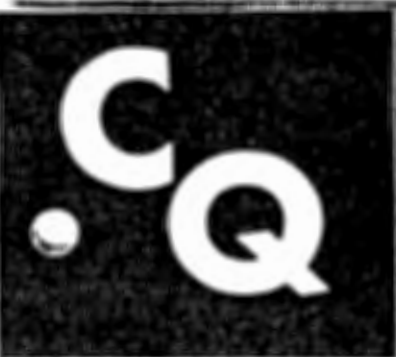
DISAGREE _____

*Reluctant agreement -
but:*

*In general, I
consider the regional commissions
to be a waste of time & money - very
topheavy under the federal and state
co-chairmen - a source of a few \$ for
governors. Maybe it's improving - I
hope so.*

*Jacki doing a very good job,
but I'm still concerned about too
much W.H. concentration and
against budget build-up.*

J.C.



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